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TAGS: [AORC](#) [PREL](#) [KNNP](#) [IAEA](#) [UN](#)
SUBJECT: IAEA BUDGET: G-77 OPENS DOOR TO SAFEGUARDS, CLOSES
IT ON SECURITY

REF: A. UNVIE 174
[1](#)B. UNVIE 109
[1](#)C. UNVIE 65
[1](#)D. UNVIE 52

Classified By: Ambassador Gregory L. Schulte for reasons 1.4 b/d

[1](#)1. (SBU) Summary: IAEA Member States have refined their positions in preparation for the April 27-28 meeting of the Program and Budget Committee (PBC). There is growing support for a real increase, but Member States await a U.S. position to galvanize the discussion. Individual European hardliners continue to rally around a Zero Real Growth (ZRG) position, but the overall EU statement will simply request budgetary "restraint." Predictably, the G-77 will support budget increases for IAEA programs in energy, science and technical cooperation. Less predictably, the G-77 appears prepared to take a positive view of increases for safeguards and safety. In an unsavory turn of events, the G-77 will vigorously oppose increases aimed at moving Nuclear Security into the regular budget, a U.S. priority. The U.S. now faces two major hurdles at next week's PBC: Europeans who want to scrap the draft budget and start over with ZRG as the point of departure, and developing nations who refuse to legitimize - much less fund - nuclear security activities, the IAEA's principal counterterrorism role. The G-77 demonization of nuclear security as "outside the IAEA's mandate" is particularly galling, given its presumption that the U.S. will fund a wide range of expensive G-77 priorities. End Summary.

Europeans Hawks Haven't Won Over the Entire EU

[1](#)2. (SBU) European budget hawks have grown increasingly hardline on the draft IAEA budget as the April 27 PBC approaches (reftel). France in particular is likely to use the PBC to demand a "redraft" of the current proposal (which is based on a 23 percent increase) and the submission of a new budget proposal based on ZRG. The UK and Germany will likely join France in support of a redraft, but the overall EU statement appears to be heading toward a softer tone. Thanks to the joint work of Romania, Finland and Austria, the EU will state that it would be "grateful" if the Secretariat could show more budgetary "restraint."

The G-77 Position: Flexible on Many Fronts...

13. (C) The G-77, for its part, has been unusually quiet and only recently coordinated a budget position in time for the PBC. Egyptian First Secretary Bassem Ghanem met with MissionOff April 23 to share highlights of the G-77 position.

Like some Europeans, the G-77 statement may include language that asks the Secretariat for a proposal that is more "realistic." Unlike the European hawks, however, the G-77 is not wedded to Zero Real Growth (ZRG). In general, the G-77 supports increases for Major Program 1 (Nuclear Power, Fuel Cycle and Nuclear Science), Major Program 2 (Nuclear Techniques for Development and Environmental Protection) and Major Program 6 (Management of Technical Cooperation). Ghanem also signaled a surprisingly positive stance on some increases for Major Program 4 (Safeguards), though he commented that the G-77 would likely request an informal working group to study ways to relieve developing countries of the burden of paying for expensive safeguards programs.

...but Stubborn on Nuclear Security

14. (C) Ghanem's fiscal flexibility vanished when MissionOff moved on to the proposed increases for Major Program 3 (Nuclear Safety and Security). Ghanem indicated that some increases for safety might be appropriate, but rejected outright any increases geared at "mainstreaming" Nuclear Security - i.e., moving it into the Regular Budget to lessen its dependence on voluntary contributions. He refused any hint of a "tit for tat" trade between Nuclear Security and Technical Cooperation, as other G-77 representatives have quietly suggested. He also denied a proposal to subject Nuclear Security to a voluntary "scale of assessments" along

the lines of the Technical Cooperation Fund, saying that Nuclear Security fell outside the IAEA's mandate and must be maintained as a strictly voluntary program. Ghanem suggested that Member States develop a Universal Convention on Nuclear Security if they wished to treat Nuclear Security as a core mission of the IAEA. Ghanem remained unmoved by arguments that developing nations were the main recipients of nuclear security assistance. Only when pressed did Ghanem agree that the proposed 7 million Euro increase for Nuclear Security was relatively small.

Budget Negotiators Guide the Process

15. (C) Board Chair Taous Feroukhi and Vice Chair Cornel Feruta have lobbied hard for budgetary flexibility among Member States until the U.S. (the IAEA's largest donor) has developed a position. On April 24, Feruta told Ambassador Schulte that the prevailing view among the majority of Board Members was now in favor of a real increase, but that individual Members would be cagey about their positions until the U.S. weighed in. U.S. leadership was key to galvanizing the discussion. Feruta also said that if he managed to keep the way open for a real increase, he had performed successfully in his role as coordinator of the budget discussions. Both Feroukhi and Feruta have floated the idea of spreading any increases over two biennia (four years) in order to make them more palatable to Member States (and also in tacit recognition of a statement by Secretary Clinton to phase in budget increases over "four years.") Feruta signaled that not all G-77 members agreed with Egypt's hardline view, and his observation is supported by recent signals from China and India that they are supportive and flexible on the budget. Feruta's deputy, Dan Necalaescu, was more pessimistic: "All the G-77 wants is their top three major programs and to heck with the rest of it." (Necalaescu has worked hard to inject more realistic negotiating behavior among G-77 representatives and flexibility among EU members.)

Comment

16. (C) Mainstreaming Nuclear Security into the Regular Budget is a priority for the U.S., Canada, and other OECD states. Egypt's recalcitrance on the issue is worrisome, especially

given Egypt's active and vocal leadership among the G-77. While other G-77 countries have indicated their willingness to "do a deal" that would address both G-77 and OECD priorities in Technical Cooperation and Nuclear Security respectively, Egypt and other G-77 hardliners may be expected to block any such negotiations or demand heavy trade-offs. It is not clear whether they object to nuclear security funding as a matter of principle or, knowing of Western priorities, for leverage to gain increases elsewhere in the budget. The prospect is particularly worrisome given the U.S. is already heading into the PBC having taken heavy fire from traditional allies for merely "considering the options" for a budget increase. The U.S. now faces two major hurdles at next week's PBC: Europeans who want to scrap the draft budget altogether, and developing nations who refuse to legitimize nuclear security. End Comment.

SCHULTE